BOOK REVIEWS AND NOTICES

Elementary Principles of Economics. By IRVING FISHER. New York: Macmillan, 1912. 8vo, pp. 531. $2.00.

The writing of an economics textbook is morally a highly speculative undertaking. It is production to specifications both numerous and indefinite. A successful textbook must assist the teacher in holding his classes against a competition of other courses that grows constantly more intense. Capacity to interest the student is therefore indispensable. The book must be fairly complete in itself, since many students content themselves with the general course in economics alone. This is, indeed, the rule with the increasing body of technical students in our colleges and universities. It must afford a satisfactory foundation for later work for those students whose interests are primarily intellectual, and upon whom the progress of the science ultimately depends. These do not by any means exhaust the specifications under which the producer of an economics textbook must work, but they are the most essential.

Professor Fisher's text is fundamentally a translation of the whole economic world into terms of capital and income. It is a system of economic accounting. It aims, not to present to the student new material, but a new view of material already matter of common knowledge. It would be more properly entitled, "Principles of Pecuniary Economics." So far as practicable, all non-pecuniary elements in economic life are excluded from consideration. All the fruits of the earth become a homogeneous income; the earth itself becomes capital, and man an uncertain income.

That it is a good thing for the student to view the economic world from this particular angle, at least once in his life, few would deny. If we divide society roughly into two classes, those who view economic objects in the concrete, and those who view them as mere exchange values, or, better, embodiments of capital and income, we are safe in assuming that the dupes, the victims of exploitation, will as a rule be found in the former class and the rulers of the economic world in the latter. If one's ideal of education is aristocratic, one would naturally desire to shape the college student—so far as economics is concerned—in Professor Fisher's mold. Even if this technological end is not held

in view, there is much to be said in favor of putting the general student through such a course of instruction as Professor Fisher offers. A great deal of loose thinking on matters not purely pecuniary, but touching upon the pecuniary, would be avoided. For work in pure theory—especially Professor Fisher's variety of pure theory—this book would serve as an excellent introduction. It is equally good as an introduction to monetary theory. There are few economic texts which would serve as well for these uses.

But the teacher of economics is not justified in an attempt to crowd down the students' throats material that is merely good for them. The material must interest them as well. A perusal of Professor Fisher's book does not encourage one to believe that the general body of students will ever pronounce it fascinating. It will hold the attention of those who have already made a considerable progress with pecuniary concepts. The ordinary student is likely to be repelled by the innumerable curves and the pages of deductions from them. Indeed, it would be difficult to find anywhere a more forbidding bit of literature than chap. v, "Combining Income Accounts." In short, Professor Fisher, it seems to the reviewer, assumes a moral dominance of the teacher over the student that does not really exist.

More important than the form of the work, however, is the purpose. Professor Fisher gives one interpretation of the economic world—the pecuniary—with singular lucidity and consistency. It is not the only possible interpretation, as Professor Fisher would readily admit. The economic world could just as well be read in terms of the struggle of classes: the tugging and hauling between different financial interests, the competition between forms of organization, the conflicts between the state and its creatures in the field of business, and, most significant of all, the world-wide struggle between employers and wage-earners. An interpretation in these terms would be just as incomplete as Professor Fisher's, but probably not more incomplete.

For such an interpretation we should require another method—perhaps the historical, instead of the mathematical. We should establish different principles, which would be as truly scientific, as little "applied," as Professor Fisher's own. Such principles would serve the purposes of further study in economics, perhaps as well as Professor Fisher's. They could be wrought into a self-consistent whole that would be useful to the general student as well as those the author presents. Why then should Professor Fisher claim priority for his methods and principles?

In his preface the author claims for his method the title of the pedagogical method. In the sense in which he uses the term, it means merely the teachable method. If his interpretation is not more teachable than the other one above described, it has no claim to priority whatever. Professor Fisher has, indeed, conducted a series of experiments in pedagogy through the issue of preliminary editions and the collection of opinions as to the effectiveness of his exposition. He has, therefore, a fair basis for his view that he has found the one best method of instruction; not, however, a sufficient basis. Other textbooks that have passed through successive editions have been subjected to tests no less severe.

It is not, however, the reviewer's contention that any other unitary interpretation of economic life would serve as a better basis of preliminary instruction. It is rather his contention that no unitary interpretation can be satisfactory. Some economic problems can be handled by mathematical logic; let the student by all means be drilled in this method. Other problems can be handled only by the use of psychological methods—not the pseudo-psychological methods of the economic classics. Still other problems can best be handled by historical methods. Our economic principles should be broad enough to include whatever methods are necessary for the solution of actual problems presented to us by the times.

That Professor Fisher's methods are not sufficiently broad is perhaps best illustrated in his chapter on "Income from Labor." What are we to think of a statement like the following (p. 437): "It is probable that the eight-hour movement today is partly due to the fact that wages are high enough to enable the laborer to afford some leisure instead of being so low as to 'keep his nose close to the grindstone'"? If the author intended to convey the idea that the better laborers are provided with the necessities of existence, the more aggressive they become, no one would quarrel with him. What he actually intends to convey is the idea that when wages go up laborers prefer shorter hours to higher pay—a preference which has played a remarkably small part in the short-hour movement. What must we say of the "corollary of the principle of the clearing of the market as applied to labor, ... that unemployment tends to correct itself" (p. 443)? The reviewer does not recall a similar statement in any of the works dealing with unemployment: rather, one would expect to find the statement that "unemployment tends to become chronic." The discussion of the efficiency of labor and of the make-work fallacy (pp. 444–54) is crippled by the lack of

sufficient premises to support the conclusions. The problem of the independent laborer, we are correctly informed, is to minimize labor and maximize the product of labor (p. 445). "The same principle applies, in general, to wage-earners . . . . since the products of their labor will, to a great extent, be consumed by other laborers." If the same principle which makes the independent farmer endeavor to produce as much corn as possible governs the conduct of the hired hand also, it must be because a feeling of responsibility to his class enters into the consciousness of the latter. For such a feeling of responsibility Professor Fisher's system makes no provision whatever. Again, on p. 452 we are told that "the type of economic production may be pictured by Robinson Crusoe picking berries. He will not try to make work for himself by destroying the berries he has picked; he will not try to limit the amount of berries he picks; he will entertain none of the other fallacies which in modern complicated conditions workmen so often do entertain." Is not this, in itself, a pretty good specimen of the fallacies entertained by members of other classes? Reasoning from Robinson Crusoe to existing society, from a situation in which distributive conflicts are impossible to one in which they are inevitable—what value can one impute to the conclusions?

It will be worth while to quote two further passages to illustrate the disadvantage under which even a brilliant scholar labors when he binds himself too firmly to his method. "One of the many manifestations of the make-work fallacy is the prejudice of workmen against labor-saving machinery. They see themselves thrown out of work by the introduction of a labor-saving device" (p. 453). Professor Fisher does not deny that they are actually thrown out of work by it. Then why call the antagonism to a change that deprives them of their living a "prejudice"? And where is the fallacy? A fallacy might be involved, to be sure, if bricklayers opposed the introduction of knitting machines. Professor Fisher adduces no such case, however.

The second passage deals with the classification of men as employers and employees. "And just as the bondholders consist of those who wish to avoid chance and the stockholders of those who wish to assume risks, so also the employees are those who wish to avoid chance and the employers those who are willing to assume risks" (p. 455). This is new light on the sweated worker, the casual laborer of the city, the serf in the West Virginia mines. They wish to avoid chance.

Professor Fisher's work does not appear to the reviewer to be in itself an adequate basis for a course in economic principles for the

non-technical student. But as a means of enforcing the pecuniary view it is without a rival in the field of economic literature. It may therefore be safely predicted that it will, in the long run, exert a powerful influence upon economics instruction, especially when such instruction is intended for students pursuing technical courses.

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The International Harvester Company. Department of Commerce and Labor, Bureau of Corporations, March 3, 1913. 8vo, pp. 384.

Of all the work of investigation done by the government there is probably none more valuable to the economist than the reports of the Bureau of Corporations. Modern business has become so complex that it takes more than the observation of the surface facts to serve as a basis of its interpretation. Many of the vital facts of modern business are secret facts, which are revealed only by the most painstaking investigation. The reports of the Bureau of Corporations bid fair to become the textbooks of the future theorist interested primarily in an interpretation of the business situation in our current era.

The International Harvester investigation was initiated by a resolution of the United States Senate which directed the Department of Commerce and Labor to investigate

> the character and operation and effect upon interstate commerce of the combination or trust organization known as the International Harvester Co. and allied concerns engaged in the production, handling, and sale of farm machinery; the investigation to include an inquiry as to whether the prices and output of such machinery appear to be or to have been controlled and regulated by any particular individual or combination of individuals, by a corporation or otherwise; whether there exists at present a healthy competition between local dealers in farm machinery; and whether the quality of the same is on the average as good as in former years.

The Bureau made the relative rates of profits earned in the various lines of production the basis of its conclusions in regard to the fairness of prices. Appraisals of the various properties were made in connection with the organization of the International Harvester Co. in 1902. These appraisals were used in establishing a book value for the tangible property of the combination. The Bureau revised these book values as shown in Table 18.

The evidence used by the Bureau to support its valuations forms, in the opinion of the writer, the weakest part of the report. The Bureau